

CHAPTER XII

WAR-TIME COMMITTEES, ETC.

CHAPTER XIIWAR-TIME COMMITTEES, ETC.

The Committees (and Royal Commissions) which are dealt with in this Chapter may conveniently be divided into three groups -

1. Internal Committees of the Directors.
2. "External" Committees on which one or more Governors or Directors served* or before which they gave evidence.
3. The Cornhill Committee. (This also was an "External" Committee but, though formed at the Bank's suggestion, included no representative of the Bank.)

1. Internal Committees

It is not necessary to deal here very fully with these Committees inasmuch as where Reports were issued, these have been printed and can easily be referred to.

The first few Committees appointed require no more than a mention.

*The War saw no developments in the pre-existing formal arrangements for the interchange of views between the Bank of England and the other Bankers. The "Treasury Committee" of Bankers (referred to by Mr. Walter Leaf in his address to the Institute of Bankers on the 25th February 1920) contained no representative of the Bank of England.

CHAPTER XIIWAR-TIME COMMITTEES, ETC.Date of Appointment

- 13th August 1914 Mr. Campbell, Mr. Cole, Mr. Norman and Mr. Trotter appointed to deal with such Bills of Exchange accepted prior to the 4th August 1914 as might be brought to the Bank of England for discount.
- 8th October 1914 Mr. Campbell, Mr. Cole, Mr. Cokayne, Mr. Norman, Mr. Trotter and Mr. Lubbock appointed to deal with applications to the Bank of England from Acceptors to provide funds necessary to pay approved pre-moratorium bills at maturity, in terms of the Government Announcement of the 5th September 1914.
- 29th October 1914 Lord Revelstoke, Mr. Tiarks and Mr. Kindersley appointed a Committee on Stock Exchange Advances under the Government scheme.

Rebuilding

On the 16th November 1916, the Governor, the Deputy Governor, Lord Hollenden, Mr. Campbell, Mr. Norman, Mr. Lubbock and Mr. Tiarks were appointed a Committee on rebuilding. They discussed the question of submitting proposals to a competition by architects, but nothing was decided.

CHAPTER XIIWAR-TIME COMMITTEES, ETC.Direction and general working of the Bank

On the 11th October 1917, the Court appointed a Committee composed of Lord Revelstoke (Chairman), Mr. Huth Jackson, Mr. Norman, Mr. Lubbock and Sir Robert Kindersley to consider whether any, and if so what, changes were desirable in the Direction and general working of the Bank. The summary of the Report of this Committee (as amended and approved by the Court on the 21st February 1918) follows -

"We recommend the following proposals for adoption by the Court, viz:-

"A. GOVERNOR AND DEPUTY GOVERNOR.

"1. That the Director whom it is intended to propose as Deputy Governor be selected from among the Members of the Committee of Treasury.

"2. That the Governor and Deputy Governor be under obligation to inform the Committee of Treasury concerning the affairs of the Bank of England.

"B. DIRECTORATE

"1. That Directors of British Banks with Branches in India, the Colonies, or South America, be considered eligible for election to the Court.

"2. That no person connected with a Discount House or Company be eligible for election to the Court.

"3. That before a definite invitation be extended to any individual to join the Directorate, his name

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"be submitted to, and approved by, the Court; a
"fortnight's interval at least to elapse between such
"submission and approval.

"4. That every Candidate before election as a
"Director be required to express his willingness to
"fill the offices of Deputy Governor and Governor if
"and when called upon to do so.

"5. That ex-Governors shall continue to sit on the
"left of the Governors, and that all other Directors,
"whether Members of the Committee of Treasury or not,
"shall sit in the order of their seniority of Election
"to the Directorate, the Senior Director who has not
"passed the Chairs being on the Governor's immediate
"right as at present.

"6. That all Directors be required to serve on the
"Staff Committee for at least three consecutive years
"after their first election to the Court.

"7. That no Director of the Bank become a Member of
"the Board of any Company without the consent of the
"Court.

"8. That, subject to the consent of the Court, any
"Director of the Bank be considered eligible for a seat
"on the Board of any British Bank with Branches in India,
"the Colonies, or South America.

"9. That every Director be entitled to inform himself
"as to the general working of the Offices of the Bank,

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"but that no Director be entitled to make enquiries
"of a confidential nature concerning the affairs of
"the Bank except with the consent of the Governor.

"10. That all Directors, other than the present
"Members of the Court, be required to retire at the
"age of 70.

"C. COMMITTEE OF TREASURY

"1. That the Committee shall consist of not more
"than nine Directors, including the Governors and
"the Director appointed to assist the Governors,
"who shall be ex-officio Members; that the other
"Members be elected annually, and shall include at
"least three Directors who have not passed either
"Chair, and one Director who has passed the Chairs.

"2. That the Members of the Committee, other
"than the ex-officio Members, be elected by the
"Court by free and secret ballot from among all the
"Directors, and that casual vacancies be filled by
"the Court at its discretion.

"3. That a Secretary be in attendance at the
"Meetings of the Committee.

"4. That Minutes be kept of the Committee's
"proceedings.

"5. That By-Law No. 7 be held to apply to the
"Members of the Committee.

"6. That the Committee be empowered to invite
"any Member of the Court to attend Meetings of the

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"Committee, and to invite Members of the outside Public
"to attend for the discussion of special matters.

"7. That Reports of standing Committees be made in
"the first instance to the Committee for submission to
"the Court.

"D. STANDING COMMITTEES

"That the following Standing Committees, viz:-

"The Committee for the Examination of Clerks,

"The Committee for Appointments and Promotions of the
"Staff,

"The Committee for Branch Banks (for all matters
"relating to the Staff at the Branches, including
"the Agents and Sub-Agents),

"The Committee of Inspection for the Accountants'
"Offices,

"The Committee of Inspection for the Cashiers'
"Offices,

"The Committee for the House and Servants,

"be amalgamated into one Committee, to be styled the Staff
"Committee, under the Chairmanship of the Deputy Governor.

"That the other Standing Committees, viz:-

"The Committee on Advances and Discounts (to which
"shall be added those duties of the Branch Banks
"Committee relating to Advances), and

"The Audit Committee,

"remain as separate Standing Committees.

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"We further recommend -

"That Committees be immediately appointed

"(a) To consider and report as to the necessity of a
"revision of the Bank Act of 1844;

"(b) To consider the question of the limitation of
"the War Profits of the Bank; to consider whether some
"portion of the accrued War Profits should be handed
"over as a gift to the Nation; and whether such arrange-
"ments should be accompanied by an immediate application
"for permission to increase the Capital of the Bank."

It should be added that the establishment of
the office of Comptroller arose out of the Report of
this Committee.

On the day that this Report was adopted, the
21st February 1918, and arising out of it, three other
Committees were appointed -

War Profits & Bank's Capital

This Committee consisted of the Governor (Lord
Cunliffe), Mr. Cole and Mr. Grenfell and was to consider
the limitation of War profits and whether some portion
of the accrued profits should be handed over as a gift
to the nation; also whether such arrangements should
be accompanied by an immediate application for permission
to increase the capital of the Bank.

On the 4th April, the Committee was reconsti-
tuted, the membership being as follows -

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The new Governor (Sir Brien Cokayne), Lord Revelstoke, Mr. Grenfell, Mr. Trotter and Sir Robert Kindersley.

The Interim Report of this Committee, dated the 20th December and approved by the Court on the 24th December 1918, stated that the suggestion so far made at the instance of the Committee with respect to the Bank's charges to the Government during the War had not been accepted by the Treasury, and that there was reason to believe the Government considered the most satisfactory solution would be the refund by the Bank of the balance retained by them of their Excess Profits for the five years ending February 1919. The Committee recommended the Court to accept any definite proposal in this sense.

The Final Report was dated the 25th September 1919 and was accepted by the Court on the 16th October. The Report reviewed the negotiations with the Government, and the legality of paying over sums which had already gone to account in the successive half-years, of which the result had been reported to the Proprietors. Legal opinion had been favourable to the proposed surrender of profits and an agreement had been made with the Treasury on the 6th March 1919. The Proprietors had been informed on the 20th and the House of Commons on the 26th of the same month. The Exchequer had been credited with £1,872,907:10:11 for

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the four years ended the 28th February 1918 and for the current year a further payment of £706,712: 5: 7 was due.

As regards the Bank's post-War charges to the Treasury, an agreement had been made to cover the period 1st April 1919 to the 31st March 1921. The Committee considered the arrangement a hard bargain and even unreasonable were it not for the profits likely to be derived from the large French credit still outstanding.

The Committee reviewed the Bank's reserves and profits in February 1919 as compared with five years before and came to the conclusion that the reserves were still by no means excessive and had been inadequate. No dividend higher than 10% less tax should be paid until liquid available reserves were further augmented. Profits were no longer such as would come within the terms of reference to the Committee, and a forecast of the Bank's ordinary profits, even for the next few years, was impossible.

The Committee reviewed the case for State participation in the Bank's Profits, whether on a percentage basis or otherwise, and rejected the suggestion, chiefly on the grounds that any such arrangement would lead to undue interference by the State, if not to its taking over the Bank altogether.

The question of increasing the Bank's capital was also fully considered and it was decided that there was no valid reason for recommending an increase at that

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time. Should any increase become necessary it should be by issue of fresh Stock for cash.

Direction. Selection of Candidates.

Another Committee instituted on the 21st February 1918 consisted of the Governor, Lord Revelstoke, Mr. Grenfell, Colonel Hanbury and Sir Robert Kindersley, and was appointed for the selection of candidates for the Direction.

This Committee lapsed on the 4th April 1918 and, on the 2nd May, was reconstituted with a fresh membership, after which it became a Standing Committee appointed annually.

Bank Act of 1844, etc.

A third Committee was composed of the Deputy Governor (Sir Brien Cokayne), Mr. Cole, Mr. Norman and Mr. Lubbock* and was to consider and report as to the necessity of a revision of the Bank Act of 1844 and other kindred matters.

In January 1918 the Government had appointed the Committee on Currency and Foreign Exchanges after the War (vide Section 2 of this Chapter) and the terms of reference were subsequently enlarged (13th April 1918) so that the working of the Bank Act of 1844 and

* The Report of the Committee, however, was signed by Sir Brien Cokayne, Mr. A. C. Cole, Sir Everard Hambro, Mr. Jackson and Mr. Lubbock.

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the constitution and functions of the Bank of England might be considered.* This addition, and doubtless also the appointment of the Directors' Committee on the Bank Act, were due to Sir Edward Holden. He had for many years adversely criticised the Bank Act, and he attacked it again at the Annual Meeting of the London City & Midland Bank, on the 29th January 1918; he further asked that the Chancellor of the Exchequer would appoint "a Committee, consisting of six of the "most experienced Bankers in the United Kingdom, to "take into consideration the question of repealing "the Act of 1844 as soon as possible....". The Chancellor, Mr. Bonar Law, preferred, however, to refer the matter to the Cunliffe Committee.

A summary (in their own words) of the recommendations of the Committee on the Bank Act, whose Report (accepted by the Court on the 12th December) was dated the 26th November 1918, follows -

'Gold position at the end of the War

'That during the reconstruction period the
' use of gold coin as currency should be discouraged; no
' stocks of gold coin or bullion, with trifling exceptions,

*No summary of the Reports of this Committee is attempted in this Chapter or elsewhere in the History, as the Reports themselves have been often reprinted and are easily accessible. The Governor's evidence (given in July 1918) is, however, reproduced as an Appendix.

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'should be held elsewhere than in the Bank of England;
'and no earmarking of gold should be effected except at
'the Bank of England and with their consent.

'One Bank of England Issue and Redemption of Currency Notes

'That as soon as they prudently can, the Bank
'should take over the issue of £1 and 10^s/- Notes, which
'should be issued and payable only in London and should
'be legal tender throughout the United Kingdom, except
'for payment by the Bank themselves at their Head Office.

'Act of 1844 - Limitation of Issues

'(a) During the reconstruction period,

'That until the Bank begin to issue their own
'£1 and 10^s/- Notes the limit of the Bank's fiduciary
'issue should remain unchanged, reductions in the total
'amount of Fiduciary Notes (Bank and Currency) in cir-
'culation being secured by reducing the fiduciary portion
'of the Currency Notes.

'That Parliament should give discretion to the
'Treasury to agree with the Bank from time to time, when
'once the demobilisation period is passed, on the limit
'to be fixed for the fiduciary issue of Currency Notes.

'That the limit of the fiduciary issue of £1
'and 10^s/- Notes should continue to be reduced by agreement
'between the Bank and the Treasury until in their opinion
'it does not exceed the amount which under any future
'conditions is reasonably likely to remain in circulation.

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'That these reductions should continue to be made
'whether the Bank have taken over the duty of issuing £1
'and 10/-^s Notes or not, but that after that limit has been
'finally fixed and after the Bank has assumed the issue of
'£1 and 10/-^s Notes, Parliament should fix a fresh limit
'for the total fiduciary issue of the Bank of England.

'That the Currency Note Department should be
'required to hold Bank of England Notes against any issue
'of its own Notes beyond the limit fixed from time to time.

'That throughout the period Section 3 of the
'Currency and Bank Notes Act be kept in force.

'(b) After the reconstruction period.

'That the principle of the Act of 1844 should
'again be adopted.

Profits of Issue Department

'That when the Bank take over the issue of £1
'and 10/-^s Notes the profit on the issue of these Notes
'should accrue to the State, but that the Bank should
'retain the profit which they make on their present issue,
'possibly in the form of a fixed annual sum.

Terms on which the issue should be managed

'That the Bank should undertake eventually to
'manage the whole combined issue for a charge designed to
'cover all the expenses and risks of the issue other than
'any depreciation of the securities held against the
'Authorised Fiduciary Issue.

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'That until the Bank have had sufficient
'experience of the costs and risks of the business they
'should manage for a time the whole Note Issue for the
'actual charges incidental to the work, receiving the
'share of profits already referred to.

'Securities in Issue Department

'That the securities held against the
'Authorised Fiduciary Issue apart from the Government
'Debt at present figuring in the Issue Department should
'be confined to short-dated Government securities.

'That as regards the securities to be provided
'against excess issues, the Bank should have a perfectly
'free hand to transfer to the Issue Department any
'securities held in the Banking Department.

'Gold Reserves

'That no attempt should be made to provide a
'reserve of gold in excess of that required for the Note
'Issue.

'Gold held by the Bank elsewhere than in their own Vaults

'That the Bank's recent practice of holding a
'portion of their Stock of gold in other parts of the
'Empire be discontinued as soon as this can conveniently
'be done.*

*This was contrary to the Committee's earlier views and to Sir Brien Cokayne's opinion in the previous July, when he gave evidence before the Cunliffe Committee. (Vide Appendices)

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'That the Charter be modified to read that the
'number of Directors, exclusive of the two Governors,
'shall not exceed twenty four or be less than eighteen.

'That in the elections of Governors and Directors
'no vote for names other than those recommended by the
'Court should be valid unless the nominations have been
'received in writing by the Bank fourteen days before the
'General Court at which the election is to take place.

'That at General Courts the Governor or any
'nine Proprietors present and entitled to vote shall
'have the right to demand a poll, but that no voting by
'proxy shall be allowed except when a poll is taken.

'Transfers of Bank Stock

'That the Court be given power to refuse trans-
'fers of Bank Stock without assigning any reason and that
'transferees be obliged to sign a declaration as to the
'beneficial ownership of the Stock; that Proprietors
'before exercising their vote should be obliged to declare
'that there has been no change in the beneficial ownership;
'and that appropriate penalties should be imposed for false
'declarations.

'That no transfer of Bank Stock be made for the
'future into the name of an alien or his representative.'

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The conclusions here summarised which concerned the Committee on Currency and Foreign Exchanges were confirmed by the Interim Report published by that Committee in August 1918 with the exception that this Report recommended a permanent continuance of the arrangement under which the Bank might, with the consent of the Treasury, issue Notes in excess of the legal limit (Currency Note Act, Section 3), while the Bank Directors had only suggested its maintenance during the reconstruction period. Sir Edward Holden was not satisfied with the Committee's views; his objections may be studied in his speech to the Shareholders of his Bank delivered on the 29th January 1919 (Bankers' Magazine, March 1919).

Complaints of the Staff

The next Committee was appointed on the 6th March 1919 to enquire into certain complaints on behalf of the Staff and consisted of the Deputy Governor (Mr. Norman), Mr. Johnston, Mr. Lubbock and Sir Alan Anderson. Ten Reports were issued, several of which were concerned with matters of detail only. The Reports were approved by the Court on the following dates -

First Interim Report, approved 1st May 1919

Second Interim Report, approved 22nd May 1919

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- Third, Fourth and Fifth Interim Reports approved 29th
May 1919
- Sixth, Seventh and Eighth Interim Reports approved 26th
June 1919
- Ninth Interim Report approved 10th July 1919 (By this
the Advisory Council was established)
- Final Report (in the nature of a summary) approved 14th
August 1919.

The Advisory Council

Bonuses granted at the recommendation of this Committee and other matters have been dealt with separately in Chapter XI.

Rebuilding Committee

On the 13th May 1920, a new Committee, consisting of Mr. Lubbock, Mr. Booth and Sir Alan Anderson were appointed to consider, if thought advisable, the preparation of plans and the arrangements in connection with the rebuilding of the Bank. On the 3rd March 1921 their Interim Report was approved by the Court. This Report dealt with such preliminary matters as the height of the walls of the new building, the preservation of ancient lights, the possibility of a demand being made for the widening of Princes Street, and the total floor space required, which was estimated as at least 500,000 square feet. The Court were asked to empower the Committee to select an architect of outstanding reputation to submit plans, if the rebuilding was to take place.

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With the majority of these it is not necessary to deal in detail, partly because in many cases their connection with the Bank was a very indirect one and also because in most instances their Reports have been published and are accessible. A list, believed to be complete, of these Committees is appended to the end of this Section. A few of the Committees must, however, be dealt with more fully.

The most important ones appointed by the Government were no doubt the National Savings Committee, of which Sir Robert Kindersley was President, and the Committee on Currency and Foreign Exchanges after the War (already referred to under Section 1). This is also known as the "Currency Committee" and the "Cunliffe Committee". But of neither of these need there be given here more particulars than are contained in the list above referred to.

Accepting Houses Committee

This was formed on the 5th August 1914, when representatives of twenty Accepting Houses were called to a Meeting at the offices of Messrs. Frederick Huth & Co. Extract from proceedings -

"It was decided that all acceptances due on Tuesday, Wednesday, Thursday and Friday of this week

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"should be considered, for purposes of re-acceptance
"under the Proclamation, as due on Friday, the 7th of
"August. All such Bills as are then re-accepted will
"therefore mature for payment on the 7th of September -
"no further days of grace being taken into consideration.
"It was also decided that the date of maturity of such
"re-accepted Bills must be mentioned on the face of the
"Bills at the time of re-acceptance.

"Lord Rothschild stated on behalf of his firm
"that they proposed to re-accept all Bills due for payment -
"except possibly those for small amounts of £100 or so.

"Messrs. Fredk. Ruth & Co. stated that they also
"intended to adopt this policy, at any rate with regard
"to all Bills due on Friday and Saturday of this week,
"reserving, however, to themselves the right to take up
"any of such Bills by cash under rebate, where the
"corresponding amount of cash had been remitted to them
"for this purpose. This they proposed to do as soon as
"the Discount Market and the Banks were again working in
"a more or less normal manner.

"While there was no complete unanimity on the
"subject, the general opinion was to adopt this policy,
"each firm of course retaining to itself a discretion to
"depart from it in particular cases."

The Committee appointed consisted of Mr. Frederick
Ruth Jackson, Chairman, Mr. Andreas (of Messrs. Kleinwort,
Sons & Co.), Mr. A. P. Brandt (of Messrs. Wm. Brandt's, Sons & Co.),

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Mr. W. H. N. Goschen (of Messrs. Fröhling & Goschen), Mr. H. C. Hambro (of Messrs. C. J. Hambro & Son).

Capital Issues Committee

This Committee was originally constituted on the 27th January 1915. Lord Cunliffe served as a member and on the 25th April 1916 was appointed Chairman. An enlarged Committee, with Lord Cunliffe as Chairman, was formed in April 1919. No Report was published, but the following particulars of the Committee, obtained from H.M. Treasury, may be of interest.

'The Capital Issues Committee was set up by the Treasury on the 27th January, 1915.

'The terms of reference were as follows:-

"To consider and advise upon applications received
"by the Treasury for approval of fresh issues of
"capital."

'A copy of the notification inserted in the Press is annexed hereto.

'The original constitution of the Committee was:-

The Right Honourable Viscount St. Aldwyn, Chairman,
The Lord Cunliffe, Governor of the Bank of England,
Sir Frederick G. Bannbury, Bart., M.P.,
The Right Honourable Sir Thomas Whittaker, M.P.,
Mr. G. Stapylton Barnes, C.B., Board of Trade.

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'The following changes and additions in the
'membership of the Committee were subsequently made -

- | | |
|------------------|--|
| 3rd June 1915 | Captain E.G. Pretyman, M.P.,
Parliamentary Secretary, Board
of Trade, appointed vice Mr.G.
Stapylton Barnes, retired. |
| 25th April 1916 | Lord Cunliffe, appointed Chair-
man vice Viscount St.Aldwyn,
resigned, and Mr.Gaspard Farrer,
appointed a member of the
Committee. |
| 9th January 1917 | Sir H.Llewellyn Smith, K.C.B.,
appointed vice Captain E.G.
Pretyman, M.P. |
| 27th March 1918 | Mr.J.F.Mason, M.P., and Mr.C.T.
Needham, M.P., appointed
additional members. |

'The Committee advised the Treasury as to
'giving or withholding approval to applications for
'permission to issue capital. The Treasury, however,
'had no means of enforcing the decisions given and the
'only form of pressure brought to bear was the fact
'that the Stock Exchange Committee did not permit
'issues made without Treasury approval to be quoted on
'the Exchange. Other Departments interested were
'regularly consulted, particularly in cases affecting
'the supply of munitions of War, and it is possible
'that the attitude of those Departments towards the
'Companies concerned was influenced by the Treasury
'decisions on proposed capital issues. It should be
'added that by far the majority of the reputable firms
'in the country accepted and followed the decisions

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'that were given. Applications were required to be
'submitted in writing, and applicants were not heard
'in person.

'On the return to Peace conditions it was
'considered that the control of capital issues would
'be just as necessary during the period of reconstruc-
'tion as during the War. In February 1919 an Order
'was actually issued under the Defence of the Realm
'Act (Regulation 30 F.) giving the necessary power to
'the Treasury to enforce their decisions. This Order,
'however, provoked such opposition that it was with-
'drawn and replaced in March by a new Regulation 30 F.
'which applied only to issues involving the transference
'of capital abroad.

'An enlarged Committee was appointed in April
'1919 with the following terms of reference -

"To consider and advise upon applications
"received by the Treasury for licences under Defence
"of the Realm Regulation (30 F.) for fresh Issues of
"Capital, with a view to preserving capital during the
"reconstruction period for domestic purposes within
"the United Kingdom and to preventing any avoidable
"drain upon Foreign Exchanges by the export of capital,
"except where it is shown to the satisfaction of the
"Treasury that special circumstances exist."

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The constitution of the Committee was as follows:-

- Lord Cunliffe, G.B.E., (Chairman),
- Mr. Gaspard Farrer, (Vice-Chairman),
- The Rt. Hon. J. W. Wilson, M.P., Director of the Great Western Railway Co.,
- The Hon. Sir Arthur Lawley, G.C.S.I., G.C.I.E., K.C.M.G., ex-Governor of Madras, Director of London and North Western Railway Co. Ltd., London Bank of Australia, Ltd., Yorkshire Insurance Co. Ltd., &c.,
- Sir Thomas Elliott, Bart., K.C.B., ex-Deputy Master of the Mint,
- Sir Hugh Barnes, K.C.S.I., K.C.V.O., Imperial Bank of Persia, Director of Anglo-Persian Oil Co., Burma Corporation Ltd., &c.,
- Sir W. H. Mercer, K.C.M.G., Crown Agent for the Colonies,
- Lt. Col. Sir Thomas Robinson, K.C.M.G., K.B.E., Agent General for Queensland, Director of Federal Steam Navigation Co. Ltd., New Zealand Shipping Co. Ltd., &c., &c.,
- Sir W. Watson Rutherford, M.P., of Messrs. Rutherford & Co., Solicitors, Chairman of Roumanian Consolidated Oilfields, Ltd., &c., &c.,
- Sir Charles Sykes, K.B.E., M.P., Director of Wool Textile Production and Chairman of Board of Control of the Worsted Woollen Trades,
- Mr. J. G. Griffiths, C.V.O., late of Deloitte, Plender, Griffiths & Co., Director of the Great Western Railway Co.,
- Mr. H. E. Fass, C.B.E., of the Treasury,
- Mr. Robert Littlejohn, of the African Banking Corporation, Rhodesia, Ltd., &c., &c.,
- Mr. Owen Hugh Smith, Director of British Thomson-Houston Co. Ltd., Proprietors of Hays' Wharf Ltd., and Provident Mutual Life Assurance Co.,
- Mr. C. J. Whittington of the Stock Exchange.

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'In September 1919 the Treasury Committee was
'dissolved and the administration of Regulation 30 F.
'was transferred to the Board of Trade, which acted
'through a small departmental Committee "on behalf of
'"the Treasury". Under the Board of Trade regime
'licences were more freely granted and in November
'1919 a general licence was issued, thus in effect
'abolishing the restrictions on new issues.

Press Notification of 18th January 1915

"In connection with the re-opening of the
"Stock Exchanges the Treasury have had under con-
"sideration the general conditions under which new
"issues of capital in the United Kingdom can be
"permitted during the continuance of the War.

"It appears to the Treasury that in the
"present crisis all other considerations must be sub-
"ordinated to the paramount necessity of husbanding
"the financial resources of the country with a view
"to the successful prosecution of the War. Accordingly
"they wish it to be understood that until further
"notice they feel it imperative in the national interest
"that fresh issues of capital shall be approved by the
"Treasury before they are made.

"Treasury approval will be governed by the
"following general conditions:-

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- "(1) Issues for undertakings carried on or to be
"carried on in the United Kingdom shall only
"be allowed where it is shown to the satis-
"faction of the Treasury that they are
"advisable in the national interest.
- "(2) Issues or Participations in issues for under-
"takings carried on or to be carried on in
"the British Empire Overseas shall only be
"allowed where it is shown to the satisfaction
"of the Treasury that urgent necessity and
"special circumstances exist.
- "(3) Issues or participations in issues for under-
"takings carried on or to be carried on outside
"the British Empire shall not be allowed.
- "(4) The Treasury will not in ordinary cases insist
"upon the above restrictions where issues are
"required for the renewal of Treasury Bills or
"other short instruments held here and falling
"due of Foreign or Colonial Governments or
"municipal corporations or railways or other
"undertakings.
"All applications should be made in the first
"instance to the Treasury.
"The Treasury will not be prepared to approve
"under paragraph 4 (3) of the Temporary Regulations
"for the Re-opening of the Stock Exchange any dealings

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"In new issues which have not been approved by the Treasury before they are made.

"Treasury,

"18th January, 1915."

'The Treasury Instructions to the Committee were dated the 31st March 1919.'

Anglo-French Committee

Of great interest and apparently unpublished is the Report of the British members of the Anglo-French Financial Committee of October 1916.* This was appointed by Treasury Minute of the 2nd October 1916 which gave effect to Article 7 of the Calais Agreement. The Committee was formed "with a view to coördinating the financial policy of the United Kingdom and France, and in particular for consultation in regard to the financial situation in the United States". The membership was-

<u>French</u>	M. Octave Homberg
	M. Sergent
	M. Henri de Peyster
<u>British</u>	Lord Reading
	Sir R. Chalmers
	Mr. Brien Cokayne
Secretary	J. M. Keynes

*Vide C. C. P. 91.

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Mr. Cokayne's (Lord Cullen's) share in the Report is partly indicated by his comments on the first draft⁺ of it, extracts from which follow. It will be observed that he was far from taking an alarmist view of a very critical situation.

'Dear Mr. Keynes,

'.....You may have deliberately "coloured" the tone of the report in order to check needless extravagance on the part of the spending departments, but I hope you will avoid giving the false impression that we all despair of paying our way in America.

'.....You say nothing about Messrs. Morgan's opinion that, as far as they can see at present, they ought to be able to float an unsecured Anglo-French Loan for \$500,000,000 early in January. I think this is an important omission.

'Nor do you say anything about the second French \$100,000,000 Loan. Was there not some rather vague talk about this coming on in December?

Clause 4

'The 2nd paragraph of this Clause* is just one of the bits which I expect you have deliberately put in for effect. At no time since the beginning of the year has there been any visible means of meeting our American indebtedness for 6 months ahead. The situation has been grave all along and I do not see that it

*"The situation disclosed by this examination is so grave and menacing that we desire to record the following conclusions as deserving the immediate attention of His Majesty's Government." (Modified afterwards, see Report.)

⁺Undated, but evidently written October 1916.

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'is graver now than it was at the end of 1915 when Sir
'Edward Holden was convinced that we could not survive
'beyond February last.....

'Clause 12

'.....The Americans have faith in our eventual ability
'to pay, provided that we win the War, and they want to
'go on plying their present very profitable trade with
'us. Ergo, if we keep our credit and have no military
'disaster they will find means to continue supplying us
'with goods, and will accept payment or promises of pay-
'ment in one form or another.....

'Clause 13

'.....I have not Sir Edward Holden's gift of prophecy
'and I cannot predict how or how long we shall be able to
'go on paying our way in America but holding the view which
'I have just expressed, and remembering Mr. Morgan's state-
'ment that the problem will go on steadily getting easier
'I do believe that somehow or other, if the matter is care-
'fully handled, we shall be able to carry on "over a period
'"of 9 or 12 months" and if necessary a good deal longer.
'If for "we do not believe it can" you will substitute "it
'"is difficult to see how it can" and will add a reference
'to that statement of Mr. Morgan I think it would meet the
'case, don't you?

'Clause 14

'.....We have already had a good deal of support from
'people like the Du Ponts and although our other suppliers

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have so far been putting a good deal of money into increased plant I do not see why they should not be able to swallow a fair amount of our Loans in future.'

Report to the Chancellor of the Exchequer of the British Members of the Joint Anglo-French Financial Committee
19th October 1916

1. With our French colleagues, Monsieur Homberg, Monsieur Sergent and Monsieur de Peyster, we held a first session of six sittings from October 3rd to October 10th, Mr. John Morgan, Mr. Davison, Mr. Grenfell and Mr. Harjes also attending a considerable part of the proceedings on behalf of Messrs. J. P. Morgan.

2. Our French colleagues, having explained their own financial position, urged that the allowance of £25,000,000 a month from the British Government for external payments by France, promised under the Calais Agreement, will be by no means adequate to their needs, their expenses abroad and particularly in America showing "une augmentation constante et sensible", and filling Monsieur Ribot with sentiments of the gravest despondency and alarm. Further examination, however, showed that the moneys provided under the Calais Agreement would probably prove adequate for the present. While, therefore, expressing the greatest sympathy with the difficulties of our French colleagues and taking care to say nothing that could be construed as a refusal of further assistance,

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'we indicated that in view of our own situation we could
'not recommend the Chancellor of the Exchequer to increase
'the credits under the Calais Agreement at the present
'moment, and arranged to meet them again in Paris towards
'the end of November.

'They estimated their deficit, after allowing
'for the credits under the Calais Agreement, at £40,000,000
'to £50,000,000 for the six months ending March 31st 1917.
'As they regard the export of gold, in addition to what will
'be forthcoming under the Calais Agreement, as out of the
'question and as they are now altogether devoid of other
'external resources, they looked either to us or to the
'United States to fill the gap. Failing further assistance
'from us, they urgently insisted upon the immediate issue
'in America of an unsecured Anglo-French Loan, of which
'they would receive their share, or of a further issue of
'\$100,000,000 by the French Government on the same conditions
'as their previous issue. Both these courses, as explained
'below, were declared by the representatives of Messrs. Morgan
'to be impracticable or inadvisable. But we may be certain
'that at the Committee's next session the French members will
'renew their pressure on the British Government to assist
'them further, and will ask us to make ourselves responsible
'for the whole adverse balance of France whether on Govern-
'ment or Civil account.

'3. The next business of the Committee was to obtain
'the agreement of the French representatives to certain steps

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required in the immediate future to deal with the situation in America. All the members of the Committee would have approved the issue immediately after the Presidential election of an unsecured Anglo-French Loan of \$500,000,000. But the advice of Messrs. Morgan in a contrary sense was so decided and, in the opinion of the British members of the Committee, so well founded, that the Committee as a whole, though with the greatest reluctance in the case of the French members, agreed on the issue early in November of a British Loan of \$250,000,000, or, if possible, \$300,000,000 secured by collateral. The Committee also agreed unanimously to recommend the adoption of a proposal of Messrs. Morgan to form a syndicate, in conjunction with a limited number of powerful American houses, for the purpose of strengthening the position of the existing Anglo-French Loan in the American Market. This proposal is now being carried into effect, and Messrs. Morgan expressed the hope that, after due preparation of this kind and in conjunction with arrangements for conversion favourable to the holders of the existing Loan, they might be able to issue an unsecured Anglo-French Loan early next year. Upon the realisation of this hope our financial position next Spring mainly depends. Such a Loan would be advantageous to us by enabling us to conserve our collateral; but by exhausting the available supplies of

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'money it would compel us to postpone alternative
'financial operations for the time being.

'4. The most important results of the Committee's
'deliberations arose, however, out of a prolonged and
'detailed examination which they undertook, in consul-
'tation with the principal members of the firm of Messrs.
'J.P.Morgan, into the financial position and prospects of
'the Allied Powers, and more particularly of the United
'Kingdom, in the United States of America.

'The situation disclosed by this examination is
'of so serious a character that we desire to record the
'following conclusions as deserving the immediate attention
'of His Majesty's Government.

'5. In the five months May to September 1916, the
'expenditure of the British Treasury in America has amounted
'to \$1,038,000,000, being at the rate of \$207,500,000 a
'month. This expenditure has been met to the extent of
'three-fifths by the sale of gold and British-owned American
'securities, and to the extent of two-fifths by Loans.

'6. A conservative estimate of the coming expenditure
'for the six months October 1916 to March 1917, gives a total
'of \$1,500,000,000, being at the rate of \$250,000,000 a month.
'This estimate makes no allowance for further orders now in
'course of arrangement or in contemplation by the Ministry
'of Munitions. Further, the experience of the last few
'weeks (though it must be remembered that we are now at the
'worst season of the year) has shown that the allowance

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'included in this estimate as required for the support
'of the commercial exchanges may be below the mark to
'the extent of \$100,000,000 or even more. And lastly,
'the estimate assumes that there will be no further
'diminution in the capacity of this country to furnish
'its own products and manufactures to the other Allies
'and that the latter will continue to be pressed to
'place any orders, which are to be financed out of
'British credits, here rather than in America.

'It must, however, be added that increased
'expenditure anywhere, including this country, by our-
'selves or by the Allies tends to affect the American
'exchange adversely, inasmuch as the sums so paid in
'London are likely in present circumstances to be remitted
'to New York to pay for goods purchased from the United
'States, if not by ourselves, by those neutrals to whom
'we owe money. As we are supporting the American ex-
'changes at a level relatively higher than that of the
'other principal neutral exchanges, the entire adverse
'balance of trade of the British Empire and the Allies
'tends to be settled over New York.

7. Assets to meet this expenditure can in the main
'only be found from the sale of British-owned American
'securities, from gold, and from Loans (this term including
'Bank credits and the proceeds of bills).

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'The first of these resources, which has yielded \$300,000,000 in the last five months, must be regarded as negligible for the future. The small amount of American securities still in hand or to be obtained will be more fruitfully employed to render palatable to the American investor a much larger proportion of non-American securities, as our collateral for ensuing Loans.

'Including the promises recently extracted from France and Russia, the Treasury have built up a secret reserve in gold amounting to nearly £100,000,000. We should regard it as very imprudent to exhaust this ultimate reserve, which cannot be replaced, until the end of the War is in sight. On the other hand it will not be practicable, even in favourable circumstances, to retain more than half of this reserve by March 31st next; and we must expect to disburse at least £50,000,000 (or \$250,000,000) to the United States in the course of the next six months.

8. This leaves a deficit of \$1,250,000,000 to be met by the issue of Loans in America. That is to say, five-sixths of our current expenditure in America henceforward must be met out of American Loans, as compared with two-fifths during the past five months. Or to take aggregate figures, we have to borrow \$1,250,000,000 before March 31st 1917, as compared with actual borrowings of

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'\$400,000,000 in the past five months, being at the
'rate of more than \$200,000,000 a month as compared
'with \$80,000,000 a month.

Yet to obtain \$80,000,000 a month has re-
'quired the most persistent efforts.

'9. A Loan of \$50,000,000 has been already
'promised by the Government of Canada; and we must
'hope that a further \$50,000,000 may be obtainable from
'this source in the Spring. There remains
'\$1,150,000,000 to be borrowed in the United States.

'10. Our French colleagues expressed great concern
'at the possibility of our being required to provide
'collateral security against the whole sum to be borrowed.
'But even in this contingency, which we hope may be
'avoided, we do not on this score see any ground for
'special anxiety. Our French colleagues are influenced
'by a more vivid appreciation of the limitations of their
'own resources in this kind than of the abundance of ours.
'Provided the American lenders will be satisfied with a
'smaller proportion of American securities than hitherto,
'an event which we have reason to anticipate, we can con-
'tinue to supply collateral security of a high class to
'meet our requirements up to March 31st at least. When
'our existing American securities are exhausted, the hope
'would be that we might satisfy the American investor by
'non-American collateral supported by a very ample margin.

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'It is not, however, so much in this direction that we
'look for the most immediate danger as in that indicated
'in §13.

'11. We exposed to the representatives of Messrs.
'J.P. Morgan our need for \$1,500,000,000 before the end
'of next March, and Mr. John Morgan and Mr. H.P. Davison
'were closely interrogated on every relevant aspect of it.
'This figure was communicated to them for the first time,
'and they did not conceal their dismay. Mr. Davison had
'been aware that the aggregate figures had grown very large,
'but he had not realised that so much would be required in
'so short a time. "Your confidential information as to
'"requirements of Allied Governments is staggering. It is
'"far from clear how they can possibly be met..." was
'cabled by their New York House on October 10th. "The
'"money required" said Mr. Davison, "is more than or as much
'"as, exists. We must get at the business anyway and every-
'"way which is creditable and will bring money. Every
'"possible device has got to be availed of". The following
'dialogue at the close of our discussion with Messrs. Morgan
'perhaps indicates the position more exactly than any formal
'statement:-

'Lord Reading (to Mr. John Morgan) "Do you see your way to
'"financing this \$1,500,000,000 by March 31st?"

'Mr. John Morgan "No. I don't see the way. But we are
'"taking too long a view of this thing. We don't have to
'"pay it all now."

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'Lord Reading "No. But we have also to look beyond
'"March 31st. I am not asking exactly how it is to be
'"met. But in your own minds, with every possible ex-
'"pedient, do you see your way to carrying us through to
'"March 31st?"

'Mr. Morgan "That's an awful question."

'Lord Reading "May I change the question? In your judg-
'"ment do you think that somehow or other the money will
'"be found by March 31st?"

'Mr. Morgan "Yes. It will be found somehow or payments
'"will be sufficiently postponed" (meaning, by temporary
' Bank overdrafts).

'Mr. Davison "On the first day of April the Allies will not
'"be in a discredited position and will still be paying
'"their way."

'Mr. Morgan "All devices must be used."

' Mr. Morgan added that the problem of meeting
' the situation must be left largely in the hands of his
' firm, in view of the amount to be obtained within a brief
' period.

' 12. If our expenditure were coming to an end on
' March 31st, such a statement would be comparatively satis-
' factory. But as we have to provide beyond March 31st even
' for existing commitments, it is disquieting. Our
' financial agents tell us, in effect, that by the use of
' every available device and possibly at the cost of

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'postponing payments by Bank overdrafts we shall still
'be solvent on March 31st. They cannot tell us how
'this result is to be achieved but they hope and believe
'it will be possible. As time goes on the American
'Market may grow more accustomed to digest foreign Loans
'and we may also hope for assistance to our credit from
'an improved military situation. But nevertheless we
'shall start the next half-year with our devices ex-
'hausted, the American Market congested with our issues,
'our account in debit, and our gold reserves diminished
'by one half at least.

'13. This leads us to the principal and dominating
'conclusion which as the result of our recent conferences
'overshadows in our minds all other considerations.

'The problem of paying our way in America is
'mainly one of the possible pace of borrowing. In its
'practical aspect it is not a question of our credit, or
'of our capacity to put up security, or of the confidence
'of the Americans in the success of the Allies or of their
'sympathy with us - though without any one of these
'favouring influences we should be in great difficulties.
'On these heads we must take any risk that may exist.

'The question is whether the money can be turned
'over in America and brought back to us in the form of
'Loans as fast as we are spending it. Between each Loan
'and the next we live on an overdraft with our Bankers.

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'Each time the overdraft grows heavier and the longest
'interval which we can spare between the successive Loans
'grows less. The maximum overdraft we can secure is
'limited by the financial capacity of New York and by
'the peculiar Banking laws of the United States. A time
'will come when the overdraft has reached its maximum
'before it is by any means practicable to secure the
'issue of a further Loan.

'Given time, we could probably borrow all we
'want. The question is whether the rate at which our
'commitments are falling due will give us time.

'14. We considered the suggestion that the in-
'dustrial and financial world of America is now so
'deeply committed to the Allied cause, that it cannot
'afford to let us fall into difficulties. There is
'force in this contention. But it must not be pushed
'too far. We believe that this factor will enable us
'to obtain some supplies and will prevent us from being
'left entirely and absolutely without resources even
'when we cannot find means of immediate payment. But
'if pushed beyond this point it is fraught with the
'gravest danger. We cannot expect that these in-
'fluences will induce the United States to finance
'anything approaching the total requirements of our-
'selves and our Allies.

'Our financial requirements have got far
'beyond any total which can be met by the great

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'capitalist interests, whose liquid resources are much
'less than in this country, and who are not all of them
'good friends of ours. We have to look far beyond these
'interests to the great investing public, not only on the
'Atlantic Seaboard but in the middle and far Western States
'where the European War is a distant and unrealised ad-
'venture. Those upon whose money we must depend are not
'only or even chiefly the same as those with whom we place
'our orders. The New York capitalists can provide only
'a fraction of what we require. The problem is whether
'the general public can be induced to subscribe to our
'Loans at a pace equal to our expenditure. To raise the
'interest payable would not serve us, as such action by
'provoking suspicion of our credit might diminish the
'proceeds of our Loans and could not materially increase
'them.

15. Large sums are at present expended by the
'Treasury in maintaining the purchasing power of the £
'sterling in terms of the dollar. This expenditure is
'the pivot of our whole financial policy and the founda-
'tion of our credit in all parts of the world. By
'supporting the American exchange we limit the possible
'depreciation of all the other neutral exchanges. And,
'as the exchanges of the other Allies on London are also
'supported, the purchasing power of every member of the
'Alliance is maintained in all parts of the world. If

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'this policy was suspended, such suspension involving as
'it must a prohibition of the export of gold, with the
'consequent demoralisation of all our exchanges, neverthe-
'less some funds would still be forthcoming in America
'and other neutral countries at a price. It is not to
'be supposed that a country of the wealth of the United
'Kingdom can ever become in any literal sense bankrupt.
'But there is a great difference between being able to
'obtain moderate sums at a high price and being able to
'satisfy successfully the unexampled demands which the
'efficient prosecution of the War by the Alliance as a
'whole now entails. The latter position is only
'possible so long as our credit is unquestioned and we
'can maintain the appearance of having at our command a
'sufficiency of liquid resources.

'16. In short, desperate expedients may always
'keep us supplied with some resources. But they cer-
'tainly will not yield to us or our Allies all we want.

'Without venturing to prophesy the exact term
'for which we can hope to meet the present rate of ex-
'penditure, we believe that the problem of how long our
'immediately available resources will hold out and con-
'sequently of how they can be utilised most wisely is
'now one of pressing, practical importance.

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'The seriousness of the situation as it is
'now developing cannot be more vividly illustrated than
'by the statement that out of the £5,000,000 which the
'Treasury have now to find daily for the prosecution of
'the War, nearly £2,000,000 has to be found in America.'

CHAPTER XIIWAR-TIME COMMITTEES, ETC."What is a Bank?"

The question "What is a Bank?" is one which has often been discussed but never settled, no Act of Parliament having laid down a satisfactory definition nor any decision in a Court of Law having been given. The chief guidance is the Bills of Exchange Act, which states that "Banker includes a body of persons whether incorporated or not who carry on the business of "Banking". The desirability of framing a definition again came into prominence during the War in connection with the failure of the Charing Cross Bank, etc.

The Committee of the London Clearing Banks appointed a Sub-Committee consisting of Lord Cunliffe, Chairman, Sir Felix Scaister, Mr Henry Bell, Mr R. Martin-Holland and later Mr Harry Goschen, to consider and report upon the question "What should constitute a Bank?" The Sub-Committee's first meeting was on the 6th February 1917 and their first Report was dated the 6th March. This Report, however, was subjected to a number of amendments by the Treasury Committee and the General Committee of the Clearing House, the final draft

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being dated the 28th February 1918. It was then shown by the Governor to the President of the Board of Trade and placed before the Committee on Currency and Foreign Exchanges, who supported the recommendation that the Bankers should, in future, publish a monthly statement in a prescribed form showing the average of their weekly balance sheet during the month.*

Other recommendations of the Bankers' Sub-Committee were that no firm or institution should describe themselves as Bankers unless they conformed to the definition that their main business was to receive from the public monies on current account repayable on demand by cheque; a further condition to be that they must register according to the Board of Trade requirements, and the proposed scope of these was set forth.

The Sub-Committee recommended the division of all Banks into five classes, foreign Banks with Branches in the United Kingdom, in addition to compliance with the demands made on other Bankers, being required to lodge with the Bank of England (or other approved institution) British Government securities to the extent of x% of their liabilities in the United Kingdom. The British Government were to fix the percentage, but it was understood that the Committee favoured about 20%. Branches of Foreign and Colonial Banks were not to be allowed to register here unless the Bank were recognised as such in

*See also Appendix: Governor's evidence before Cunliffe Committee, 8th July 1918.

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in its own country.

These proposals remained dormant for nearly two years, and then the Bank of England obtained the promise of the Board of Trade to promote the necessary legislation. A draft Bill was received in February 1920 and was considered and amended by the original Sub-Committee and the Board of Trade, the final draft being reached by August. The Bill was then delivered to the British Bankers' Association for consideration. A great deal of opposition was at once encountered from Overseas Banks, nor, it was found, were the Clearing Bankers unanimous in their views. The difficulties of obtaining any approach to unanimity on the subject were found to be insuperable, and, early in 1921, it was finally decided to abandon the matter.

The Reports of the Sub-Committee and the draft Bill will be found in C.C.F.96, which also contains a copy of a comprehensive address on the subject made to the Institute of Bankers by Mr. Walter Leaf in November 1920.

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WAR-TIME COMMITTEES, ETC.List of "External" Committees and Royal Commissions on which Bank Directors served or before which they gave evidenceAccepting Houses Committee

Formed 5th August 1914. Already dealt with in this Chapter.

Capital Issues Committee

Formed 27th January 1915. Already dealt with in this Chapter.

Aircraft Insurance Committee

The Rt. Hon. F. Huth Jackson was Chairman of this Committee whose Report is dated the 9th July 1915. (Copy in Reference Library.)

London Exchange Committee

Formed November 1915. Already dealt with in Chapter IV.

Committee on War Loans for the small Investor

Lord Cunliffe served on this Committee, the Report of which was dated the 26th January 1916. (Cd. 8179)

National Savings Committee

This Committee was appointed on the 8th February 1916 under the Chairmanship of Sir R. M. Kindersley. Reports were published annually, the first (in Reference Library) being issued on the 1st March 1917. Subsequent Reports were dated the 1st June 1918, the 2nd June 1919, June 1920 and July 1921. There was also a special Report issued by a Sub-Committee on Facilities for Saving after the War. This was dated December 1917.

Financial Facilities for Trade Committee

Appointed by Board of Trade 1st July 1916. The Chairman was Lord Faringdon. Mr. Huth Jackson was a member. The Report (copy in Reference Library) was

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dated the 31st August 1916 and advocated the formation of a special Institution to stimulate and co-ordinate the activities of trade and the establishment of a new "British Trade Bank" "to fill the gap between the Home Banks and the Colonial and British-Foreign Banks".

(This Committee was followed by a further Committee appointed by Treasury Minute of the 26th November 1917, of which Sir R. V. Vassar-Smith was Chairman. The Bank had no representative on this second Committee. Its Report was dated the 21st November 1918 and is published in "British Finance" page 425 et seq.)

Anglo-French Committee

Appointed 2nd October; reported 19th October 1916. Already dealt with in this Chapter.

Sodium Cyanide Committee

In October 1916 the Ministry of Munitions called the attention of the Treasury to the fact that an urgent demand for Sodium Cyanide for military purposes had recently arisen and that practically the sole source of supply was the Cassel Cyanide Co. Ltd., Glasgow, who produced about 5,000 tons per annum. At the same time the Company approached the Bank, pointing out that the Cyanide process was "responsible directly and indirectly for the bulk of the gold produced within the "Empire", and expressing a fear that the interference of Government Departments might imperil the gold mining industry.

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To adjudicate upon the conflicting claims of the Government and the Mines, the Ministry of Munitions suggested the formation of a Committee representing the Treasury, the Admiralty and themselves. The Treasury agreed to the setting up of an informal Committee and asked the Bank to nominate a representative, which they agreed to do. The composition of the Committee was as follows -

- | | |
|----------------------|--|
| Sir Alexander Roger, | Director-General of the Trench Warfare Department (representing the Ministry of Munitions),
Chairman, |
| Mr. Cecil Lubbock, | Bank of England, (representing the Treasury) and |
| Mr. C. T. Davis, | (representing the Colonial Office). |

Not many meetings were held.

Committee on Commercial and Industrial Policy after the War

Interim Reports were dated the 10th November 1916, the 14th December 1916 and the 16th March 1917. The Final Report was dated the 3rd December 1917 and contained a scheme of Decimal Coinage furnished by Lord Cunliffe. (Reports in Reference Library.)

Select Committee on Premium Bonds

Lord Cunliffe and Sir Robert Kindersley were examined by this Committee (on the 29th November 1917). As may be seen from the Report, ordered to be printed 16th January 1918 (copy in Reference Library), their evidence was unfavourable to an issue of Premium Bonds. A summary of their views is given in Chapter III.

CHAPTER XIIWAR-TIME COMMITTEES, ETC.Foreign Trade Debts Committee

Sir Henry Babington Smith* was appointed Chairman, by Treasury Minute of the 6th November 1914, and Mr. Cokayne (Lord Cullen) was a member. Five Reports were issued to the Treasury, but were not made public. They were dated, respectively, the 31st January 1916, February 1917, the 9th February 1918, the 26th February 1919 and the 26th May 1920. Copies are filed in C.C.P.54.

Enemy Debts Committee

Appointed the 13th November 1916. Sir Henry Babington Smith* was appointed Chairman, and Mr. Brien Cokayne (Lord Cullen) was a member of the Committee. The Interim Report was dated the 4th April 1917 and the Final Report the 23rd January 1918. The Reports were not made public. They may be found in C.C.P.54. (Lord Cullen's papers were placed in the Vaults of the C.C.O. in November 1922.)

"What is a Bank?"

Report dated the 28th February 1918.
Already dealt with in this Chapter.

Bank Amalgamations Committee

Lord Cunliffe was a member of this Committee, and Sir Charles Addis gave evidence before it.⁺ The Report was dated the 1st May 1918 and a copy is in the

*A Director of the Bank of England from November 1920.

⁺Sir Charles Addis further expressed his views on dangers of amalgamation in an Article published in the Edinburgh Review of August 1918.

(Guildhall Library have
copies from 1802/1929)

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Reference Library.

Russian Bondholders (Issuing Houses) Committee

Formed in June 1918. Lord Revelstoke was Chairman, Sir Everard Hambro and Sir Robert Kindersley were members. Two meetings only had been held by the end of August 1921.

Gold Production Committee

Appointed 27th September 1918. Sir Charles Addis was one of the four members. Lord Cunliffe and Sir Brien Cokayne (Lord Cullen) gave evidence. Report dated the 29th November 1918. Further reference to this Committee will be found in Chapter V under Gold Production - South Africa. Copy of Report is in Reference Library.

American Dollar Securities Committee

Mr. Brien Cokayne (Lord Cullen), when Deputy Governor, served on this Committee. The Report was dated the 4th June 1919 and was ordered to be printed 20th November 1919. A final (confidential) Report, made by the National Debt Office, was dated the 30th September 1922. Copies of these are in C.C.O. Pamphlets 141 G. The subject is dealt with fully elsewhere.

Currency and Foreign Exchanges Committee

Lord Cunliffe was Chairman and Sir Charles Addis was a member. The Interim Report was dated the 15th August 1918, and the Final Report the 3rd December 1919. (The Reports are filed in several places in the

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Bank; are printed in "British Finance" pages 438/459; and may also be found in the "Bankers' Magazine" and the "Federal Reserve Bulletin".)

Committee on Dormant Bank Balances and Unclaimed Securities

Report ordered to be printed the 16th December 1919. Sir Brien Cokayne (Lord Cullen) gave evidence stating that the Bank held fifteen unclaimed boxes, seven of which were opened in 1907 and found to be valueless. The owners of these boxes were untraceable. The other eight boxes were not opened because in 1907 there were active drawing accounts.

The following unclaimed balances were held -

Traceable	£40,123: 3: 6
Untraceable	<u>75,012:16: 3</u>
	<u>£115,135:19: 9</u>

The Bank's policy was given thus -

"In the event of the death of a Depositor for whom the Bank hold any balance, box, or other deposit it is not the usual practice of the Bank to move the Executors of the deceased to take action. In the case of large interests there is seldom any delay in dealing with the effects."

Committee on Indian Exchange and Currency

The Chairman of this Committee was Sir H. Babington Smith (who did not, however, become a Bank of England Director until November 1920) and Sir Charles Addis was a member. The Governor (Sir Brien Cokayne)

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was consulted as to some of the appointments and gave evidence on the 23rd July 1919.

The Committee was appointed on the 30th May and reported on the 22nd December 1919. (Report issued 2nd February 1920.) It was this Committee which recommended (among other things) that the stable relation between the rupee and gold should be at the rate of Rs. 10 to one sovereign. (Report in Reference Library; Correspondence C. C. P. 188.)

Royal Commission on Decimal Coinage

A Royal Commission was appointed on the 26th August 1918 and reported on the 23rd February 1920. (Report in Reference Library.) The Bank of England were not represented and (probably by arrangement) gave no evidence, but the first scheme dealt with (the "pound and mil" scheme) was approximately the same as that advocated by Lord Cunliffe before the Committee on Commercial and Industrial Policy after the War, which has been referred to above. Sir Charles Addis gave evidence as regards the Far East, the substance of which was that as long as the pound were not abandoned some slight advantage might accrue to Great Britain's Eastern Trade if the decimal system were adopted.

Royal Commission on Awards to Inventors

Appointed by Royal Warrants of the 19th March 1919 and the 5th October 1920. Mr. A. C. Cole (died 4th

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June 1920) was one of the original Commissioners.

Colonel Lionel H. Hanbury was appointed an additional Commissioner on the 25th September 1920. First Report dated the 14th December 1920, copy in Reference Library. (Second Report dated the 14th November 1922.)

The German Reparation Recovery Committee

In the Spring of 1921 this Committee was formed to deal with difficulties arising from the imposition of a tariff upon imports from Germany, and upon the invitation of the President of the Board of Trade, the Deputy Governor, Mr. H. A. Trotter, consented to serve as a member. (Vide Minutes of Treasury Committee 23.3.21.)

N.B. The proportion of the value of German goods to which the German Reparation (Recovery) Act 1921 applied, to be paid to the Commissioners of Customs & Excise, was fixed by Treasury Minute of the 24th March 1921 at 50% and reduced to 26% by a Minute dated the 17th May 1921.

On account of its interest and indirect connection with the Bank, note may be made of one more Committee, viz., the Select Committee on Increase of War Wealth. The Report of this Committee is dated the 13th May 1920 and is published in "British Finance" page 391 et seq.; also in the "Bankers' Magazine" of June 1920. (For a Memorandum and evidence given by the Controller of Finance, Mr. Blakett, Vide C. C. F. 141^L.)

CHAPTER XIIWAR-TIME COMMITTEES, ETC.3. The Cornhill Committee

The Cornhill Committee was instituted by Lord Cunliffe with the sanction of the Treasury at the beginning of 1915, Mr. Austen Chamberlain being the first Chairman. In the Spring, however, Lord Inchcape replaced him in this position. The other members of the Committee were:-

Sir Raymond Beck (Insurance)
Mr. R. H. Brand
Mr. Bromley Martin (Banking)
Mr. Leverton Harris
Mr. Oswald Sanderson (Shipping)
Mr. R. S. Guinness (Banking)

The first Secretary was Mr. W. Hooper (of the "Times"); the second Secretary (from about June 1915) was Mr. A. H. Wynn (of the Anglo-American Debenture Corporation).

From early in 1916 the Offices of the Committee, secured by Lord Cunliffe, were at 2, White Lion Court, Cornhill. The Office was closed on the 10th March 1919 and the activities of the Committee no doubt terminated at the same time.

The Committee had no executive powers and its functions were purely unofficial and advisory: for this reason no Minutes of its proceedings were kept.

Foreign Trade and the use of London Credits were guided for the most part by the Ministry of Blockade, whose practice it was to issue circular letters explaining the effect of the various Regulations and Proclamations

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and who gave further information as to the kind of business that was considered from time to time undesirable.

The Cornhill Committee formed not only a convenient medium through which the efforts of the Ministry and of the Bank of England could be supplemented by the application of individual persuasion and unofficial restraint in cases where official action was undesirable or impossible, but also a means of collecting information best obtainable by the same indirect methods.

The Cornhill Committee (in Lord Cunliffe's words) "investigated suspicious cases" and "might, if necessary, call for guarantees". In general, they were a friendly channel of liaison between the City firms on the one hand and the Ministry of Blockade and Postal and Cable Censorships on the other.

Their advice was sought in 1915 on the question of the import of Belgian Bank Notes.

(In May 1916 a proposal was put forward for a further Control Committee to assist the Foreign Trade Department of the Foreign Office and on Lord Cunliffe's demurring to this it was suggested the Cornhill Committee should act in that capacity. An announcement was made in the Press on the 18th May that the Governor and Deputy Governor's permission had been obtained to this course, but Lord Cunliffe protested he had given no such consent and the matter appears to have dropped.)